CLASSIFICATION CONFIDENTIAL CONFIDENTIAL

CENTRAL INTELLIGENCE AGENCY
INFORMATION FROM
FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD NO.

50X1-HUM

COUNTRY	USSR
SUBJECT	Economic - Economic potential
HOW PUBLISHED	Semimonthly periodical
WHERE PUBLISHED	Vienna/Frankfurt am Main
DATE PUBLISHED	20 August 1949
LANGUAGE	German

DATE OF INFORMATION 1949

DATE DIST. 1 MAY 1950

NO. OF PAGES 6

SUPPLEMENT TO REPORT NO.

THIS IS UNEVALUATED INFORMATION

SOURCE Europa Archiv, No 16, 1949.

THE THREE ZONES OF SOVIET DEFENSE ECONOMY

Engr Alexander Sieger

The partition of the Soviet defense economy into three separate zones is based on a series of military-geographical and economic-political factors. Zone 1 includes the area between the Urals and Lake Baykal with the Karaganda coal basin; Zone 2 comprises the rest of the USSR with the exception of the border areas in the Far East and Far North; and Zone 3 consists of the border areas in the Far East and Far North and the European and Asiatic countries in the Soviet orbit. It can be assumed that the Soviet government will hold to this trisection when it considers new locations for armament plants, a procedure under which the borders of the zones will constantly undergo changes.

In matters of defense, Zone 1 will have first priority, because the Soviet government will concentrate its armament industry in this zone. On the other hand, this concentration would partly contradict the principle of the most effective distribution of productive forces over the entire country. Not only the raw material industry, but also refining operations should be located close to the raw materials. Also the raw material deposits located outside Zone 1 must be made available for the defense economy, especially if there is a large indigenous population suitable for utilization in industry.

The evacuation of numerous armament plants during World War II from the threatened western areas to the Central Asia republics evidenced that the latter had been included into Zone 1, the core of the Soviet defense economy. But evacuation did not mean a permanent weakening of the western economic regions, because, in addition to the reconstruction of industries in the Donets Basin, the Moscow area, Leningrad, Stalingrad, etc., there followed a replenishment of Zone 2 by dismantling and removing plants from territories annexed and occupied by the Soviet Union. The industry of Zone 3 will gradually be improved and will then reinforce Soviet armament potentials.

The first onsets of a more emphasized industrialization in the east had already been noticed in 1926, but were at first limited to the exploration of new raw

CLASSIFICATION CONFIDENTIAL CONFIDENTIAL

STATE	X	NAVY	X	NSRB	DISTRIBUTION						
ARMY	X	AIR	X	FBI	MBPC X	AEC X					

material occurrences. After the First Five-Year Plan, which provided for an emphasized shifting of the industry to the east, the TsK KP(b), mainly because of defense-economy reasons, decided on 15 May 1930 that "the industrialization of the country in the future cannot be based on a single coal and metallurgical base in the south. The necessary requirement for rapid industrialization is the establishing of a second principal center of the coal and metallurgical industry in the east by utilizing the rich coal- and iron-ore deposits in the Urals and in Siberia."

At the same time, it was found necessary to speed up the establishment of other branches of the industry based on the local raw material deposits (nonferrous metallurgical plants, textile industry, and others) in the eastern areas (Urals, Siberia, Kazakhstan, Central Asia).

The decisions of the 16th Party Congress provided for very extensive shifting of the industry to the east during the first, second, and third Five-Year Plans. Although the further expansion of the industry in the Donets Basin, and in the Moscow, Leningrad, Stalingrad, Kharkov, Kuybyshev, etc., areas, was not neglected, a large amount of Western industrial products, especially machines, construction materials, and transportation equipment, flowed to the eastern territories. The exploitation of huge untouched raw materials deposits was started. The most decisive factor for the further economic development was the establishing of a second coal and metallurgical base in the Ural-Kuznetsk area.

A few figures should demonstrate the importance of Zone 1 in the Soviet economy:

Of a total USSR coal production of 132.9 million tons in 1938, 22.1 percent was mined in Zone 1 (Donets Basin -- 60.8 percent).

The West Urals-Volga and Emba regions supplied 6.3 percent in 1938 and 7 percent in 1939 of the total petroleum production. Including Central Asia, the amounts for both years were 8.4 and 9 percent respectively. Baku supplied 73 and 72 percent of the total production (30.5 and 31.5 million tons).

Iron-ore mining in the Urals and in West Siberia amounted to 30.8 percent of the total production of 26.5 million tons, and the production of pig iron amounted to 28.8 percent (0.1 percent in 1928) of the total production of 14.5 million tons. The output of raw steel was 29.5 percent of the total production of 17.6 million tons; the output of rolled products amounted to 31.7 percent of the total production of 30 million tons.

After the outbreak of the war, the war-economy plan of 16 August 1941 provided for an extensive evacuation of industrial plants to the eastern areas during the fourth quarter of 1941 and during 1942. In the course of a few months, about 1,100 plants were evacuated to the east (according to official reports, about 1,350; however, not all arrived at their destination as some were established at intermediate points), of which 455 went to the Urals, 210 to West Siberia, and 250 to Central Asia and Kazakhstan. By the beginning of 1942 these plants had been partially erected and had started production. As early as March 1942 the output in the eastern areas reached the former total USSR production.

During the war, the US lend-lease program delivered modern industrial equipment (worth almost 2 billion dollars) to the Soviet Union which was mainly set up in the new industrial centers of the east. The Soviet Union emphasized the establishing of an efficient heavy industry which could be spared from enemy attacks.

The entire economic and social structure of the eastern areas, and especially Zone 1, experienced a fundamental reorganization during the war and postwar years. Including the evacuated and newly erected plants, a total of 2,250 large-scale industrial plants started operation from 1942 to 1944.

The labor problem was solved by the evacuation of about 15 million people to the eastern areas, of which only a part was allowed to return to their former localities after the war. Thus with the industrialization of the east, a fundamental reorganization of the social and national structure took place. The city population increased from 15.6 million in 1939 to more than 20 million in 1944.

The increase in coal production of the eastern regions was published during the war only for the Urals and Central Asia, but not for the important Kuznetsk area. Moreover, no absolute figures of the coal production have been made known in the postwar period. The coal production in the Urals amounted to 7.9 million tons in 1938, and 20.3 million tons in 1943; in Kazakhstan (Karaganda) it was 4.4 and 12 million tons respectively. In the Kuznetsk Basin the production was 17.3 million tons in 1938. Using the same rate of increase for the Kuznetsk Basin as for the other eastern regions, the coal mining may have amounted to 45-50 million tons in 1943. The entire Zone 1 would then have produced about 75 million tons of coal in 1943. This figure might be considered as the minimum production for 1948-49; most probably it has surpassed this figure.

In 1944 the production of pig iron in the eastern regions increased 46 percent in comparison to 1940 (1940: about 5 million tons); production of steel increased 42 percent (1940: about 5.3 million tons); output of rolled products increased 42 percent (1940: about 4.2 million tons). The Urals became a new base for ferrous and nonferrous metals. A large part of the Ukrainian industry was transferred to the Urals during the war and delivered during the war up to 40 percent of the total armament production. By itself the industrial and armament center of Magnitogorsk, with its 50 blast furnaces, 200 open-hearth furnaces, and about 100 electric furnaces, produced almost 4 million tons of iron yearly. The Urals also became the center of the nonferrous metal industry. In 1938, 84 percent of the Soviet copper output was produced in the Urals, while the second largest production, that of Kazakhstan, amounted to only 9 percent. Since, copper mining in Kazakhstan has been greatly emphasized, but has not reached the Ural production although its copper supplies are four times as large.

Especially obvious is the shifting of the petroleum industry to the east and for the most part to Zone 1. According to geological surveys, the petroleum area of the Caucasus extends along the western edge of the Urals to the north up to the Pechora Basin and to the east up to Turkestan. The reserves of the Emba region alone are estimated to be over 2 billion tons.

While in 1940, 80 percent of the petroleum production still originated from the Caucasus, in 1948 extraction in the new petroleum region between the Volga and the Urals already amounted to 14.8 million tons, only 5 percent less than in the Caucasus. According to the current Five-Year Plan only 17 million tons of the total petroleum production of 35.4 million tons in 1950 are to be extracted in the Caucasus.

The gross production of eastern industry increased from 39.4 billion rubles in 1940 to 48 billion rubles in 1941, 74.9 billion rubles in 1942, 85.6 billion rubles in 1943, and 91.2 billion rubles in 1944. For comparison purposes, the gross production of the entire Soviet industry amounted to 95.5 billion rubles in 1937, 138.5 billion rubles in 1940, 127 billion rubles in 1945, and was to reach 205 billion rubles in 1950. The 1944 production of 91.2 billion rubles represents only about two-thirds of the last prewar total industrial production figure. After the war the industrial production of eastern regions, in absolute figures, would hardly have declined, but would have decreased in comparison with the west.

The tendency to expand the entire core of the Soviet defense economy led to the extension of Zone 1 to the north and to the south during World War II.

In the north, the Soviet Union began the exploitation of the huge coal deposits of the Pechora Basin. The coal region of Vorkuta with its reserves of

about 50 billion tons became the fifth largest coal center of the USSR. This area also contains radium, manganese, copper, aluminum, and important petroleum deposits near Ust-Ukhta.

In the south, Zone 1 included almost the entire region of Turkestan. The presence of rich raw-material deposits and the utilization of hydroelectric power led to the expansion of heavy industry by establishing industrial centers in Tashkent, Samarkand, Frunze, etc. During World War II the engine plant of Novorossisk was evacuated to Samarkand.

Also, the development of the chemical industry was very promising, especially in the Turkmen and Uzbek republics, which were to become one of the largest centers of the chemical industry.

After the end of World War II, strategic weaknesses of the northern and southern border regions of Zone 1 were noted. In case of war, an immediate threat would exist for the Pechora Basin because of enemy air attacks from Spitsbergen, while in the southern part enemy interference may occur from Iran, resulting in a loss of the entire industrial region of southern Turkestan.

It can be assumed that the Soviet Union no longer includes these border regions in Zone 1. A distinct shifting of Zone 1 has taken place in the direction of Lake Baykal during recent years. The rich coal deposits west of Lake Baykal, the petroleum wells in the Minussinsk Basin, and various ore deposits form the basis of a new industrial region. Irkutsk, the industrial and administrative center of this economic region, is the headquarters of the Soviet Far Eastern Army.

The discovery of uranium ores in the foothills of the Sayan Mountains, the utilization of the abundant water power as a source of electric current, and the establishing of large restricted areas suggest that essential elements of the Soviet atomic industry have been concentrated in the area of Lake Baykal.

The annexation of the independent Tuva People's Republic after the war, its incorporation as an autonomous oblast of the RSFSR, and the evacuation of the indigenous population, a procedure which was also carried out in the adjacent Gorno-Altay Autonomous Oblast, indicates that the Soviet Union means to guard the industrial area west of Lake Baykal by a neutral zone. These Soviet efforts have been greatly assisted by recent developments in the Far East.

The eastern regions of the USSR, with Zone 1 as the core, now produce perhaps half of the total USSR industrial production, although the output in the western regions has increased considerably with the reconstruction. The share of the east in total Soviet production is shown as follows (in percent):

	1940-41	1948-49
Coal	36	48
Iron ore	29	44
Steel	34	51
Rolled steel	33	51
Petroleum	12	49

Estimating the defense-economy potential, we arrive at the following proportional division of the total heavy industrial production for 1948-49 in the separate zones. Zone 3 includes not only the border regions in the Far East, the additions since 1939, and the Eastern Zone of Germany, but also the Satellite states in its orbit.

CONFIDENTIAL

Coal

Zone 1	75 million tons	25%
Zone 2	125	42
Zone 3	100	33
	300 million tons	100%

The present coal capacity of Zone 3 may amount to about 100 million tons of coal and 155 million tons of lignite considering the increasing mining capabilities of Poland. It should be kept in mind that the largest part of this amount will be consumed by the Satellite states themselves. Poland and Manchuria may be considered as coal export countries. Polish exports were to be increased to 18.5 in 1948 and to 50 million tons in 1951.

Pig Iron

Zone 1	7.8 million tons	38.5%
Zone 2	8.2	40.5
Zone 3	4.2	21.0
	20.2 million tons	100.0%

Raw Steel

Zone 1	11.5 million tons	43%
Zone 2	10.0	37
Zone 3	5.5	20
	27.0 million tons	100%

Petroleum

Zone 1	15.0 million tons	35%
Zone 2	17.0	41
Zone 3	10.0	24
	42.0 million tons	100%

The expansion of the Soviet sphere of influence in Asia, and especially the incorporation of the rich economic regions of Manchuria and Sinkiang into the Soviet orbit, increases the significance of Zone 3 to a large extent. The development of an efficient industry in these regions will take place very gradually, even though Manchuria has remained a good base in spite of dismantling. If it is possible to create an industry within the Soviet orbit in Eastern Europe, in Central Asia, and in the Far East, which would not only cover the demand of the population in these huge regions, but also contribute to the Soviet defense economy, the Soviet leadership will be satisfied.

In the meantime, the Soviet Union must rely largely on assistance from abroad for the economic expansion and exploitation of these regions if it does not want to make use of the economy of its two interior zones and to weaken its defense-economical potential.

BIBLIOGRAPHY

Books

1. Conolly, V., "Soviet Asia"; London, 1942
2. Dobb, M. H., "Soviet Economic Development since 1917"; London, 1948

3. Donner, K., "La Siberie" (Siberia); Paris, 1946
4. Lotz, H., "Die Entwicklung der sowjetischen Volkswirtschaft" (The Development of the Soviet National Economy); 1917 - 1949 (manuscript)
5. Prokopovisz, S. N., "Der vierte Funfjahresplan der Sowjetunion, 1946 - 1950 (The Fourth Five-Year Plan of the Soviet Union, 1946 - 1950); Zurich/Vienna, 1948
6. Schwartz, H., "Russia's Postwar Economy;" Syracuse, 1947
7. Staiger, I. A. and Davies, R. A. "Soviet Asia;" London, 1943
8. Stroumiline, St., "Planification en URSS" (Planning in the USSR); Paris, 1947
9. Voznesenskiy, N. A., "Der Funfjahresplan des Wiederaufbaus und der Entwicklung der Volkswirtschaft der UdSSR fur die Jahre 1946 bis 1950" (Five-Year Plan for the Restoration and Development of the National Economy of the USSR for 1946 - 1950); Berlin, 1946
10. Voznesenskiy, N. A., "Die Kriegswirtschaft der UdSSR in der Zeit des Vaterlandischen Krieges" (Soviet Economy during World War II) (Russian); Moscow, 1948

Periodicals and Newspapers

1. "Planovoye Khozyaystvo" (Planned Economy), 1947 - 1949
2. "Voprosy Ekonomiki" (Problems of Economy), 1948 - 1949
3. "Bolshevik," 1947 - 1949
4. "Izvestiya," 1947 - 1949

- E N D -